

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Jefferson, Iowa.

The City and its component unit receipts totaled \$5,886,676 for the year ended June 30, 2008, a seven percent increase from 2007. The receipts included \$1,558,793 in property tax, \$358,511 from tax increment financing collections, \$2,675,624 from charges for service, \$518,398 from operating grants, contributions and restricted interest, \$188,442 from capital grants, contributions and restricted interest, \$86,221 from unrestricted investment earnings and \$500,687 from other general receipts.

Disbursements for the year totaled \$5,667,220, a six percent increase from the prior year, and included \$608,126 for community and economic development, \$834,445 for culture and recreation, and \$867,015 for general government. Also, disbursements for business type activities totaled \$1,845,152.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

CITY OF JEFFERSON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008

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City of Jefferson

Officials

Before January 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd Madson	Mayor	Jan 2008
Larry Teeple	Council Member	Jan 2010
Nancy Teusch	Council Member	Jan 2010
Bill Figenshaw	Council Member	Jan 2010
Craig Hertel	Council Member	Jan 2008
Randy Bunkers	Council Member	Jan 2008
Diane Kennedy	Clerk	Jan 2008
Robert A. Schwarzkopf	Attorney	Jan 2008

After January 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	Jan 2012
Larry Teeple	Council Member	Jan 2010
Nancy Teusch	Council Member	Jan 2010
Randy Monthei	Council Member	Jan 2012
Bill Figenshaw	Council Member	Jan 2010
Shannon Black	Council Member	Jan 2012
Diane Kennedy	Clerk	Jan 2010
Robert A. Schwarzkopf	Attorney	Jan 2010

City of Jefferson

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Jefferson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Jefferson as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2009 on our consideration of the City of Jefferson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Budgetary comparison information on pages 24-26 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements, which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 16, 2009
Ames, Iowa

City of Jefferson

Basic Financial Statements

City of Jefferson

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 586,397	64,369	540	-
Public works	398,133	12,887	396,632	188,442
Culture and recreation	834,445	296,641	86,071	-
Community and economic development	608,126	-	-	-
Health and social services	6,740	-	-	-
General government	867,015	-	-	-
Debt service	461,684	-	-	-
Capital projects	59,528	1,366	31,080	-
Total governmental activities	3,822,068	375,263	514,323	188,442
Business type activities:				
Water	785,654	996,121	-	-
Sewer	585,902	716,485	4,075	-
Sanitation	391,745	467,171	-	-
Recycling	81,851	120,584	-	-
Total business type activities	1,845,152	2,300,361	4,075	-
Component Unit:				
Airport	-	-	-	-
Total	\$ 5,667,220	2,675,624	518,398	188,442
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option tax				
Hotel/motel taxes				
Cable television				
Unrestricted interest on investments				
Loan proceeds				
Sale of assets				
Miscellaneous				
Rent				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total Primary Government	Major Discretely Presented Component Unit
(521,488)	-	(521,488)	-
199,828	-	199,828	-
(451,733)	-	(451,733)	-
(608,126)	-	(608,126)	-
(6,740)	-	(6,740)	-
(867,015)	-	(867,015)	-
(461,684)	-	(461,684)	-
(27,082)	-	(27,082)	-
(2,744,040)	-	(2,744,040)	-
-	210,467	210,467	-
-	134,658	134,658	-
-	75,426	75,426	-
38,733	-	38,733	-
38,733	420,551	459,284	-
-	-	-	43,414
(2,705,307)	420,551	(2,284,756)	43,414
1,243,420	-	1,243,420	-
358,511	-	358,511	-
315,373	-	315,373	-
280,033	-	280,033	-
27,886	-	27,886	-
27,524	-	27,524	-
29,314	56,907	86,221	44,796
59,749	-	59,749	-
-	-	-	-
28,213	26,391	54,604	336
5,759	-	5,759	-
160,000	(160,000)	-	-
2,535,782	(76,702)	2,459,080	45,132
(169,525)	343,849	174,324	1,718
2,615,583	1,140,746	3,756,329	13,688
\$ 2,446,058	1,484,595	3,930,653	15,406
\$ 296,610	-	296,610	-
180,631	-	180,631	-
66,049	362,046	428,095	-
1,902,768	1,122,549	3,025,317	15,406
\$ 2,446,058	1,484,595	3,930,653	15,406

City of Jefferson

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2008

	Special Revenue				
	General	Employee Benefits	Road Use Tax	Urban Renewal Tax Increment	Local Option Tax
Receipts:					
Property tax	\$ 800,841	442,579	-	-	-
Tax increment financing collections	-	-	-	358,511	-
Other city tax	55,410	-	22,997	-	257,346
Licenses and permits	26,435	-	-	-	-
Use of money and property	33,785	-	-	-	-
Intergovernmental	98,107	-	396,322	-	-
Charges for service	278,234	-	-	-	-
Miscellaneous	33,518	-	12,487	-	-
Total receipts	1,326,330	442,579	431,806	358,511	257,346
Disbursements:					
Operating:					
Public safety	586,397	-	-	-	-
Public works	46,791	-	351,342	-	-
Culture and recreation	799,767	-	-	-	10,626
Community and economic development	88,022	-	-	212,800	-
Health and social services	-	-	-	-	-
General government	867,015	-	-	-	-
Debt service	-	-	-	120,500	-
Capital projects	-	-	-	-	-
Business type activities	-	-	-	-	-
Total disbursements	2,387,992	-	351,342	333,300	10,626
Excess (deficiency) of receipts over (under) disbursements	(1,061,662)	442,579	80,464	25,211	246,720
Other financing sources (uses):					
Note proceeds	-	-	-	-	-
Sale of cemetery lots	9,350	-	-	-	-
Sale of capital assets	-	-	-	-	-
Operating transfers in	638,505	-	32,000	-	-
Operating transfers out	(18,000)	(387,653)	(50,000)	(53,407)	-
Total other financing sources (uses)	629,855	(387,653)	(18,000)	(53,407)	-
Net change in cash balances	(431,807)	54,926	62,464	(28,196)	246,720
Cash balances beginning of year	1,091,989	-	207,146	208,827	96,027
Cash balances end of year	\$ 660,182	54,926	269,610	180,631	342,747
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	-	-	-	342,747
Unreserved:					
General fund	660,182	-	-	-	-
Special revenue funds	-	54,926	269,610	180,631	-
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 660,182	54,926	269,610	180,631	342,747

See notes to financial statements.

Other Nonmajor Governmental Funds	Total
315,373	1,558,793
-	358,511
-	335,753
-	26,435
1,288	35,073
196,982	691,411
116,772	395,006
58,308	104,313
688,723	3,505,295
-	586,397
-	398,133
24,052	834,445
307,304	608,126
6,740	6,740
-	867,015
341,184	461,684
59,528	59,528
81,851	81,851
820,659	3,903,919
(131,936)	(398,624)
59,749	59,749
-	9,350
-	-
78,907	749,412
(80,352)	(589,412)
58,304	229,099
(73,632)	(169,525)
1,011,594	2,615,583
937,962	2,446,058
66,049	408,796
-	660,182
446,606	951,773
245,794	245,794
179,513	179,513
937,962	2,446,058

City of Jefferson

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise Funds				Component	
	Water	Sewer	Sanitation	Total	Unit - Airport	Total
Operating receipts:						
Use of money and property	\$ 26,001	30,906	-	56,907	44,796	101,703
Charges for service	996,121	716,485	467,171	2,179,777	-	2,179,777
Intergovernmental	18,151	4,075	-	22,226	-	22,226
Miscellaneous	-	7,408	832	8,240	336	8,576
Total operating receipts	1,040,273	758,874	468,003	2,267,150	45,132	2,312,282
Operating disbursements:						
Public works	-	-	-	-	43,414	43,414
Business type activities	785,654	585,902	391,745	1,763,301	-	1,763,301
Total operating disbursements	785,654	585,902	391,745	1,763,301	43,414	1,806,715
Excess (deficiency) of operating receipts over (under) operating disbursements	254,619	172,972	76,258	503,849	1,718	505,567
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(60,000)	(50,000)	(50,000)	(160,000)	-	(160,000)
Total other financing sources (uses)	(60,000)	(50,000)	(50,000)	(160,000)	-	(160,000)
Net change in cash balances	194,619	122,972	26,258	343,849	1,718	345,567
Cash balances beginning of year	702,530	48,106	390,110	1,140,746	13,688	1,154,434
Cash balances end of year	\$ 897,149	171,078	416,368	1,484,595	15,406	1,500,001
Cash Basis Fund Balances						
Reserved for debt service	\$ 257,990	104,056	-	362,046	-	362,046
Unreserved	639,159	67,022	416,368	1,122,549	15,406	1,137,955
Total cash basis fund balances	\$ 897,149	171,078	416,368	1,484,595	15,406	1,500,001

See notes to financial statements.

City of Jefferson
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Jefferson is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operate the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

Jointly Governed Organizations

The City participates in a few jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, North Dallas County Landfill Commission, the Midwest Partnership and the Greene County Law Enforcement Entity Board.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$45,000 to GCDC during the fiscal year ended June 30, 2008.

City officials are also members of the North Dallas County Landfill Commission. See Note 8 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for employee benefits financed by the levy for employee benefits.

The Local Option Tax Fund is used to account for local option taxes.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation of the City's sanitation services.

The City also reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

C. Measurement Focus and Basis of Accounting

The City of Jefferson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant

resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,325 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. Therefore market value of the stock is not determinable. The stock is recorded on the books at \$2,325. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$369 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust and the Coop stock are unrated.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, the recycling truck and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		Recycling Truck		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 265,000	71,806	9,754	1,499	396,000	145,888	661,000	217,694
2010	270,000	63,411	9,548	1,203	412,000	133,392	682,000	196,803
2011	290,000	54,681	9,845	906	428,000	120,388	718,000	175,069
2012	305,000	45,546	10,151	600	439,000	106,310	744,000	151,856
2013	315,000	35,328	10,467	284	215,000	91,530	530,000	126,858
2014-2018	670,000	37,040	2,667	21	1,175,000	357,000	1,845,000	394,040
2019-2023	-	-	-	-	1,363,000	169,800	1,363,000	169,800
2024	-	-	-	-	298,000	8,940	298,000	8,940
Total	\$ 2,115,000	307,812	52,432	4,513	4,726,000	1,133,248	6,841,000	1,441,060

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions.

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts within the Enterprise Funds for the sole purpose of making the bond and note principal and interest payments when due.
- (c) There shall be set apart and paid into the City's Water Revenue Debt Service Reserve Fund (the Reserve Fund) at the time of delivery the sum of \$182,000. Whenever the sum on deposit in the Reserve Fund has been reduced to less than the required balance, there shall be deposited into the Reserve Fund from the Net Revenues remaining, after first making the required deposits into the Operation and Maintenance Fund and the Sinking Fund, a sum equal to 25% of that month's total deposits into the Sinking Fund, until the sum on deposit in the Reserve Fund has been restored to the Required Reserve Fund Balance. All money credited to the Reserve Fund shall be used and is hereby pledged for the payment of principal and interest on the Series 2003 Bonds and any Parity Obligations whenever the Sinking Fund balance is insufficient.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$86,965, \$84,506 and \$81,834, respectively, equal to the required contributions for each year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 54,829</u>

This liability has been computed based on rates of pay in effect at June 30, 2008. Sick leave is payable when used. It is not paid upon termination, retirement, or death.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Downpayment Assistance	General	14,000
Health Insurance Sinking	General	4,000
	Special Revenue:	
Road Use Tax	Equipment Replacement	32,000
Equipment Replacement	Recycling	7,500
		<u>57,500</u>
Debt Service:		
Tax Increment Financing	Urban Renewal Tax Increment	<u>17,555</u>
General	Special Revenue:	
	Urban Renewal Tax Increment	35,852
General	Road Use Tax	50,000
General	Employee Benefits	387,653
General	Recycling	5,000
	Enterprise:	
General	Water	60,000
General	Sewer	50,000
General	Sanitation	50,000
		<u>638,505</u>
Total		<u><u>713,560</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) North Dallas County Landfill

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

(9) Lease

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2008, the City received a total of \$22,661 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

The City also entered into a new lease with the Greene County Early Learning Center. The Center used it to provide an after school program and in-service day program and summer day camp programs. The Center paid monthly installments of \$167 which continued until May 31, 2008.

(10) Health Insurance

The City's health insurance plan includes a deductible of \$500 for single coverage and \$1,000 for family coverage. The City pays the first \$200 for individuals with single coverage and the first \$400 for individuals with family coverage. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization.

(11) Note Receivable

During the year ended June 30, 1999, the City loaned \$100,677 to Tri-County Cash Lumber Mart, Inc. to assist them with the financing of water and sewer line improvements in connection with their development project. The note term began on October 28, 1998 and matures on November 1, 2008. Interest accrues at the rate of five percent per annum and is paid annually on or before November 1 of each year beginning on November 1, 1999. The entire principal balance and remaining accrued interest shall be paid in full on November 1, 2008. The remaining balance of \$6,292 was paid off during the fiscal year ended June 30, 2008.

(12) Economic Development

On February 18, 1999, the City entered into a Community Economic Betterment Agreement (CEBA) with Iowa Department of Economic Development (IDED) and Parker

Industries, Inc. The IDED provided a \$100,000 loan at zero percent interest payable in sixty monthly installments and a \$200,000 forgivable loan payable only if certain employment criteria are not met. The City of Jefferson's liability for the repayment of the note is limited to amounts collected through its good faith enforcement of the security interest obtained by the City.

During the fiscal year ended June 30, 2004, the City entered into a development agreement with West Central Coop in which the City agreed to pay \$660,000 in tax increment payments.

(13) Deficit Fund Balance

The City had deficit balances in the following funds at June 30, 2008:

Capital Projects Funds:

Railroad Grade Separation	16,960
Harrison Street Sewer Main	32,208

The deficits in the projects will be eliminated by transfers.

(14) Construction Commitments

The City has entered into various construction contracts totaling approximately \$447,071. The unpaid contract balances as of June 30, 2008 totaled approximately \$187,973 which will be paid as work on the projects progresses.

(15) Related Party Transactions

The City had business transactions between the City and City officials totaling \$27,326 during the year ended June 30, 2008.

Required Supplementary Information

City of Jefferson
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit Included in the Budget	Net
Receipts:				
Property tax	\$ 1,558,793	-	-	1,558,793
Tax increment financing collections	358,511	-	-	358,511
Other city tax	335,753	-	-	335,753
Licenses and permits	26,435	-	-	26,435
Use of money and property	35,073	56,907	44,796	136,776
Intergovernmental	691,411	22,226	-	713,637
Charges for service	395,006	2,179,777	-	2,574,783
Miscellaneous	104,313	8,240	336	112,889
Total receipts	3,505,295	2,267,150	45,132	5,817,577
Disbursements:				
Public safety	586,397	-	-	586,397
Public works	398,133	-	-	398,133
Health and Social Services	6,740	-	-	6,740
Culture and recreation	834,445	-	-	834,445
Community and economic development	608,126	-	-	608,126
General government	867,015	-	-	867,015
Debt service	461,684	-	-	461,684
Capital projects	59,528	-	-	59,528
Business type activities	81,851	1,763,301	43,414	1,888,566
Total disbursements	3,903,919	1,763,301	43,414	5,710,634
Excess (deficiency) of receipts over (under) disbursements	(398,624)	503,849	1,718	106,943
Other financing sources, net	229,099	(160,000)	-	69,099
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(169,525)	343,849	1,718	176,042
Balances beginning of year	2,615,583	1,140,746	13,688	3,770,017
Balances end of year	\$ 2,446,058	1,484,595	15,406	3,946,059

See accompanying independent auditors' report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
1,524,023	1,548,023	10,770
324,253	356,253	2,258
88,261	336,661	(908)
49,875	45,100	(18,665)
102,575	132,275	4,501
514,847	789,763	(76,126)
2,591,837	2,570,937	3,846
50,600	232,525	(119,636)
5,246,271	6,011,537	(193,960)
517,089	612,089	25,692
408,165	408,165	10,032
9,000	9,000	2,260
866,531	883,131	48,686
399,700	764,285	156,159
535,259	535,259	(331,756)
476,183	512,183	50,499
150,000	430,000	370,472
1,971,933	2,012,933	124,367
5,333,860	6,167,045	456,411
(87,589)	(155,508)	262,451
-	-	69,099
(87,589)	(155,508)	331,550
3,780,845	3,780,845	(10,828)
3,693,256	3,625,337	320,722

City of Jefferson

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Proprietary Funds, the Permanent Fund and the Component Unit. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and disbursements by \$765,266 and \$833,185 respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government function.

Other Supplementary Information

City of Jefferson

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

				Special	
			LEC		
	Recycling	Enrich Iowa	Unemployment Compensation	Capital Improvement	Skate Park
Receipts:					
Property taxes	\$ -	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	1,494	2,345	-	-	-
Charges for service	116,772	-	-	-	-
Miscellaneous	2,318	-	-	-	-
Total receipts	120,584	2,345	-	-	-
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	2,345	-	-	-
Community and economic development	-	-	-	-	-
Health and social services	-	-	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Business type activities	81,851	-	-	-	-
Total disbursements	81,851	2,345	-	-	-
Excess (deficiency) of receipts over (under) disbursements	38,733	-	-	-	-
Loan Proceeds	59,749	-	-	-	-
Operating transfers in(out)	(12,500)	-	-	-	-
Total other financing sources	47,249	-	-	-	-
Net change in cash balances	85,982	-	-	-	-
Cash balances beginning of year	56,946	1,387	25,438	7,271	1,525
Cash balances end of year	\$ 142,928	1,387	25,438	7,271	1,525
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 142,928	1,387	25,438	7,271	1,525
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 142,928	1,387	25,438	7,271	1,525

See accompanying independent auditors' report.

Revenue						
Library	Cemetery Mahaney Mausoleum	Industrial Development Emergency Draw	Cemetery Land Reserve	Community Center	Payroll Clearing	Equipment Replacement
-	-	-	-	-	-	\$ -
-	-	-	-	-	-	-
-	242	712	94	18	-	222
4,701	-	-	-	-	-	-
-	-	-	-	-	-	-
9,220	-	-	-	-	-	-
13,921	242	712	94	18	-	222
-	-	-	-	-	-	-
-	-	-	-	-	-	-
13,500	-	-	8,207	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
13,500	-	-	8,207	-	-	-
421	242	712	(8,113)	18	-	222
-	-	-	-	-	-	-
-	-	-	-	-	-	(24,500)
-	-	-	-	-	-	(24,500)
421	242	712	(8,113)	18	-	(24,278)
32,699	10,428	33,324	35,060	5,729	7,311	82,796
33,120	10,670	34,036	26,947	5,747	7,311	\$ 58,518
33,120	10,670	34,036	26,947	5,747	7,311	\$ 58,518
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
33,120	10,670	34,036	26,947	5,747	7,311	\$ 58,518

City of Jefferson

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue						Debt Service	
	Health Insurance Sinking Fund	Downtown Streetscape	Downpayment Assistance	Cafeteria Plan	Self Insurance and Employee Benefits	CDBG	Tax Increment Financing	General Obligations
Receipts:								
Property taxes	-	-	-	-	-	-	-	315,373
Other city tax	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	138,305	-	-
Charges for service	-	-	-	-	-	-	-	-
Miscellaneous	-	31,080	-	3,900	-	-	1,074	-
Total receipts	-	31,080	-	3,900	-	138,305	1,074	315,373
Disbursements:								
Operating:								
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community and economic development	-	-	14,000	-	-	121,585	171,719	-
Health and social services	2,606	-	-	4,134	-	-	-	-
General government	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	341,184
Capital projects	-	-	-	-	-	-	-	-
Business type activities	-	-	-	-	-	-	-	-
Total disbursements	2,606	-	14,000	4,134	-	121,585	171,719	341,184
Excess (deficiency) of receipts over (under) disbursements	(2,606)	31,080	(14,000)	(234)	-	16,720	(170,645)	(25,811)
SRF loan proceeds	-	-	-	-	-	-	-	-
Operating transfers in (out)	4,000	-	14,000	-	-	-	17,555	-
Total other financing sources (uses)	4,000	-	14,000	-	-	-	17,555	-
Net change in cash balances	1,394	31,080	-	(234)	-	16,720	(153,090)	(25,811)
Cash balances beginning of year	3,183	43	-	4,132	45,090	(9,700)	153,090	91,860
Cash balances end of year	4,577	31,123	-	3,898	45,090	7,020	-	66,049
Cash Basis Fund Balances								
Unreserved:								
Special revenue funds	4,577	31,123	-	3,898	45,090	7,020	-	-
Debt service funds	-	-	-	-	-	-	-	66,049
Capital projects funds	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-
Total cash basis fund balances	4,577	31,123	-	3,898	45,090	7,020	-	66,049

See accompanying independent auditors' report.

Capital Projects								Permanent	
Drainage	Capital	Airport	Drainage	Drainage	Railroad	Water	Harrison	Cemetery	
District #89	Improvements	Improvements	District #97	District #57	Grade	System	Street	Perpetual	Total
					Separation	Improvements	Sewer Main	Care	
-	-	-	-	-	-	-	-	-	315,373
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,288
-	-	50,137	-	-	-	-	-	-	196,982
-	-	-	-	-	-	-	-	-	116,772
-	-	-	-	-	-	-	1,366	9,350	58,308
-	-	50,137	-	-	-	-	1,366	9,350	688,723
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	24,052
-	-	-	-	-	-	-	-	-	307,304
-	-	-	-	-	-	-	-	-	6,740
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	341,184
-	52,853	5,052	1,239	-	384	-	-	-	59,528
-	-	-	-	-	-	-	-	-	81,851
-	52,853	5,052	1,239	-	384	-	-	-	820,659
-	(52,853)	45,085	(1,239)	-	(384)	-	1,366	9,350	(131,936)
-	-	-	-	-	-	-	-	-	59,749
-	-	-	-	-	-	-	-	-	(1,445)
-	-	-	-	-	-	-	-	-	58,304
-	(52,853)	45,085	(1,239)	-	(384)	-	1,366	9,350	(73,632)
265	290,828	(18,551)	23,600	4,827	(16,576)	3,000	(33,574)	170,163	1,011,594
265	237,975	26,534	22,361	4,827	(16,960)	3,000	(32,208)	179,513	937,962
-	-	-	-	-	-	-	-	-	446,606
-	-	-	-	-	-	-	-	-	66,049
265	237,975	26,534	22,361	4,827	(16,960)	3,000	(32,208)	-	245,794
-	-	-	-	-	-	-	-	179,513	179,513
265	237,975	26,534	22,361	4,827	(16,960)	3,000	(32,208)	179,513	937,962

City of Jefferson
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose bonds	Sep 1, 2003	2.95-3.70%	\$ 1,875,000
Corporate purpose bonds	May 26, 2005	3.30-3.50%	1,120,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds	Jun 1, 1999	3.25%	\$ 1,275,000
Revenue notes:			
Water	Mar 1, 2003	2.00-3.70%	\$ 1,820,000
State revolving loan:			
2003 Sewer revenue bonds	Jun 30, 2003	3.00%	\$ 4,951,000
Recycling truck	Oct, 2007	3.00%	\$ 59,749

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
1,875,000	-	95,000	1,780,000	63,383	-
500,000	-	165,000	335,000	17,000	
2,375,000	-	260,000	2,115,000	80,383	-
117,732	-	117,732	-	2,401	-
1,075,000	-	200,000	875,000	36,558	-
4,037,000	-	186,000	3,851,000	121,110	-
-	59,749	7,317	52,432	1,250	

City of Jefferson
Bond and Note Maturities
June 30, 2008

General Obligation Notes					
Year Ending June 30,	Corporate Purpose		Corporate Purpose		Total
	Issued Sep 2003		Issued May 2005		
	Interest Rates	Amount	Interest Rates	Amount	
2009	2.95	100,000	3.30	165,000	265,000
2010	2.95	100,000	3.40	170,000	270,000
2011	3.15	290,000		-	290,000
2012	3.35	305,000		-	305,000
2013	3.45	315,000		-	315,000
2014	3.60	330,000		-	330,000
2015	3.70	340,000		-	340,000
Total		\$ 1,780,000		\$ 335,000	2,115,000

See accompanying independent auditors' report.

City of Jefferson
Bond and Note Maturities
June 30, 2008

Year Ending June 30,	Revenue Notes				Other Debt	
	Water		State Revolving Loan 2003 Sewer Revenue Bonds		Recycling Truck	
	Issued Mar 1, 2003		Issued Jun 30, 2003		Issued Oct 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	3.30	205,000	3.00	191,000	3.00	9,754
2010	3.30	215,000	3.00	197,000	3.00	9,548
2011	3.55	225,000	3.00	203,000	3.00	9,845
2012	3.70	230,000	3.00	209,000	3.00	10,151
2013		-	3.00	215,000	3.00	10,467
2014		-	3.00	221,000	3.00	2,667
2015		-	3.00	228,000		-
2016		-	3.00	235,000		-
2017		-	3.00	242,000		-
2018		-	3.00	249,000		-
2019		-	3.00	257,000		-
2020		-	3.00	264,000		-
2021		-	3.00	272,000		-
2022		-	3.00	281,000		-
2023		-	3.00	289,000		-
2024		-	3.00	298,000		-
Total		<u>\$ 875,000</u>		<u>\$ 3,851,000</u>		<u>\$ 52,432</u>

See accompanying independent auditors' report.

City of Jefferson

**Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Five Years**

	2008	2007	2006	2005	2004
Receipts:					
Property tax	\$ 1,558,793	\$ 1,586,705	\$ 1,599,116	\$ 1,535,837	\$ 1,413,435
Tax increment financing collections	358,511	307,079	251,752	206,592	184,977
Other city tax	335,753	144,994	56,549	55,725	57,917
Licenses and permits	26,435	33,796	18,089	18,303	14,600
Use of money and property	35,073	35,863	16,862	14,096	12,225
Intergovernmental	691,411	742,255	950,415	915,590	606,722
Charges for service	395,006	413,822	456,697	457,735	316,278
Miscellaneous	104,313	97,895	72,250	107,909	115,591
Total	\$ 3,505,295	\$ 3,362,409	\$ 3,421,730	\$ 3,311,787	\$ 2,721,745
Disbursements:					
Operating:					
Public safety	\$ 586,397	\$ 497,633	\$ 496,320	\$ 489,929	\$ 556,413
Public works	398,133	371,245	404,907	440,591	423,836
Culture and recreation	6,740	7,988	883,826	803,456	778,352
Community and economic development	834,445	871,208	478,638	410,310	154,769
Health and social services	608,126	297,139	15,142	8,492	-
General government	867,015	435,667	449,568	391,135	369,158
Debt service	461,684	588,602	595,908	1,700,641	577,531
Capital projects	59,528	155,407	878,420	2,344,771	4,102,904
Business type activities	81,851	207,691	80,398	-	-
Total	\$ 3,903,919	\$ 3,432,580	\$ 4,283,127	\$ 6,589,325	\$ 6,962,963

See accompanying independent auditor's report.

City of Jefferson

Independent Auditors' Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 16, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jefferson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Jefferson's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Jefferson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Jefferson's responses and, accordingly, express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Jefferson and other parties to whom the City of Jefferson may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 16, 2009
Ames, Iowa

City of Jefferson

City of Jefferson

Schedule of Findings

Year ended June 30, 2008

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Jefferson
Schedule of Findings

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Jefferson
Schedule of Findings

Year ended June 30, 2008

Part III: Other Findings Related to Statutory Reporting:

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended once, it should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so.

Conclusion – Response accepted.

III-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-08 Business Transactions –Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Derek Teeples, brother of employee and son of Council Member, owner of Teeples Heating and Cooling	Services	1,622
Shadran, owned by Council Member Randy Monthei	Supplies	18,430
Bill Figenshaw, Council Member, owner of Figenshaw Furniture	Carpet	3,538
Mike Wright, Employee, Owner of Wright Electric LLC	Services	3,736

City of Jefferson
Schedule of Findings
Year ended June 30, 2008

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individuals appear to represent a conflict of interest because total transactions with each individual exceeded \$1,500.

Recommendation - The City should consult with legal counsel to determine the disposition of this matter.

Response - We will do so.

Conclusion - Response accepted.

III-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-08 Deposits and Investments - The City and its component unit own \$2,325 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

III-H-08 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-08 Outstanding Checks - Per Chapter 556.11 of the Code of Iowa, checks that are still outstanding after three years should be reported to the State Treasurer annually by November 1st. The City did not do this.

Recommendation - The City should comply with Chapter 556.11 of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.

City of Jefferson
Schedule of Findings
Year ended June 30, 2008

III-J-08 Financial Condition - The City had the following deficit balances at June 30, 2008:

Capital Projects Funds:	
Harrison Street Sewer Main	32,208
Railroad Grade Separation	16,960

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response -The deficits will be eliminated.

Conclusion - Response accepted.

III-K-08 Receipts - A local option sales tax receipt in the amount of \$22,997 was posted in the Road Use Tax fund, rather than the Local Option Tax fund.

Recommendation - A transfer should be made to correct the misposting.

Response - We have made the correction on our records.

Conclusion - Response accepted.